

Joint Committee on Taxation
June 15, 1984
JCX-19-84

The attached items were provided for the information of the conferees only and do not necessarily reflect any decisions made in the conference.

CONFERENCE ISSUES

I. Tax Freeze; Tax Reforms Generally

D. Corporate Tax Provisions

30. "Golden parachutes" Open
contracts (p. 46)

E. Partnership Provisions

43. Section 1031 not Effective date.--Open
applicable to partner-
ship interests (p. 64)

F. Accounting Changes

48. Mine reclamation and
similar costs (p. 68)

(a) General

(a) House recedes with an amendment including hazardous waste disposal sites other than superfund sites.

(b) Site reclama-
tion costs

(b) House recedes with 2 amendments:

1. Taxpayers will not be required to discount (by 2 percent per year) deductions for the current cost of future reclamation expense.

2. Taxpayers will not be required to recapture amounts deducted for reclamation, but not spent, on a parcel by parcel basis.

(c) Site closing
costs

(c) House recedes with an amendment eliminating the requirement to discount (by 2 percent per year) deductions for the current cost of future site closing expense.

(d) Sinking funds

(d) House recedes with 2

amendments:

1. Amounts deducted for site reclamation and site closing costs are deemed to earn interest at 70 percent of the sec. 483 short-term rate in tax years ending in 1984 and 1985, 80 percent in 1986, and 100 percent in subsequent years. Taxpayers could elect to withdraw from the sinking fund by including in their taxable income the amount in the fund (including the interest deemed to have been earned).

2. The sinking fund balance is limited to the current cost of: (i) reclaiming disturbed unreclaimed land (in the case of reclamation costs), (ii) closing the mined portion of the site on a unit of production basis (in the case of mine closing costs), and (iii) closing the utilized portion of the site on a units of capacity basis (in the case of waste disposal site closing costs). Any amount in excess of this limit at the end of each tax year is recaptured.

(e) Transition rules.

(e) House recedes.

Effective date.--Same.

I. Foreign Provisions

83. Stapled stock (p. 118)

(c) Senate recedes with an amendment providing an exception for a stapled trust created pursuant to a written board resolution adopted before April 15, 1984, if shares of beneficial interest are distributed before June 16, 1985.

M. Miscellaneous Reform Provisions

127. Capital gains on coal royalties from related parties (p. 168)

House recedes with an amendment deferring the effective date to January 1, 1990, for royalties received on coal sold to related parties under a binding contract entered into before June 15, 1984, if the contract does not contain a tax adjustment clause or the economic equivalent thereof. If coal is sold by an operator under both contracts without a tax adjustment clause and other contracts, then royalties will be treated as paid first out of coal subject to the contract without the tax adjustment.

III. General Charitable Deduction Rules; Private Foundation Excise Tax Provisions

B. Private Foundation Excise Tax Provisions

150. Reduction in excise tax on investment income if charitable payout increases (p.205)

Senate recedes (i.e., tax reduction provision agreed to).

Effective date.--Taxable years beginning after 1984.

151. Limitation on grant administrative expenses as qualifying distributions (p. 205)

Senate recedes, with modifications to limitation: (1) excluding compensation, up to \$30,000, of grant reviewers from limitation; (2) Treasury study due 1/1/88 based on revised IRS forms; (3) using a 3-year average in computing limitation; (4) clarifying that limitation does not apply to expenses of making program-related investments; (5) clarifying definition of qualifying distributions; and (6) clarifying that State approval of director fees is not conclusive of reasonableness for tax

purposes.

Effective date.--Taxable
years after 1984.

V. Fringe Benefits

168. General rule,
moratorium.

Senate recedes, with
technical amendment
providing regulatory
authority to allow less
frequent rate of
withholding, at a flat rate,
on taxable non-cash
benefits.

169. No-additional
cost service.

Senate recedes.

170. Qualified employee
discount.

Senate recedes with two
amendments.

The first amendment would
expand the grandfather
rule to relax the line of
business limitation, with
respect to existing lines of
business of any employers
who on January 1, 1984,
provided substantially all
employees in all lines of
business a service or
product from another line of
business. This rule also
would apply to no
additional-cost service,
except in the case of
reciprocal arrangements with
other employees. The
grandfather rule would not
apply if, in any prior year,
the aggregate value of the
excluded goods and services
exceeded 1 percent of
aggregate payroll, unless
the employer pays a
30-percent nondeductible
excise tax on the excess.

The second amendment would
limit the excluded discount
on merchandise to 20 percent
of selling price, rather
than the gross profit

- percentage.
171. Working condition fringe. Senate recedes, with amendment limiting special exclusion for auto salesmen to full-time salesmen.
172. De minimis fringe. Senate recedes, with amendment which deletes aggregation rule but provides that frequency with which similar fringe benefits are provided is taken into account in determining exclusion.
173. Athletic facilities. Senate recedes.
174. Tuition reduction. Senate recedes, with amendment providing for no special exclusion for graduate assistants. The issue of whether there would be a requirement that tuition reduction be offered on a nondiscriminatory basis to all employees of the institution would be left open.
175. Nondiscrimination requirements. Senate recedes, with amendment deleting nondiscrimination requirement for exclusion of free parking.
176. Cafeteria plans. Open.
177. Coordination with other exclusions. Senate recedes.
- Effective date.--Senate recedes, with amendment making provision effective January 1, 1985, except that tuition reduction provisions would be effective July 1, 1985.

X. Miscellaneous Revenue Provisions

C. Exempt Organization Provisions

202. Acquisition indebtedness (a) House recedes with the

of certain education institutions and certain corporations managing property for tax-exempt organization (p. 292)

following modifications:
(1) in the case of real property acquired by a partnership, the exception would apply only if the exempt organization is allocated the same percentage share of each partnership item of income, gain, loss, deduction, credit and basis, excluding allocations with respect to contributed property (i.e., would permit a "straight-up allocation" generally similar to the tax-exempt leasing rule), the share remains the same during the entire period the organization is a partner, and the allocation has a substantial economic effect;

(2) Treasury would have regulatory authority to subject to tax the assets of a segregated asset account if the account is used to circumvent the acquisition indebtedness rules;

(3) Statement of Managers would provide support for rulings characterizing a transfer of property with liabilities in excess of basis as a part-sale, part-gift transaction.

Effective date: The exception generally would apply to property acquired or indebtedness incurred after the date of enactment. Transition rules generally similar to those in the tax-exempt entity leasing provisions would be provided.

(b) Senate recedes.

215. Exclusion for educational assistance benefits;

House recedes with amendments (1) -waiving

deferred educational
benefits (p. 312)

withholding penalties
for 1984; (2) requiring
annual reporting by
employers with educational
assistance programs on
number of total employees,
number of plan participants,
total cost of program, name,
address, EIN and industry
code of employer; (3)
requiring a sample of
employers to provide
additional information; (4)
requiring a Treasury study
on educational assistance
programs, due Jan. 1, 1987;
(5) subjecting amounts
provided under educational
assistance programs to FICA,
FUTA, and railroad
retirement taxes for amounts
paid after Dec. 31, 1984.

N. Social Security Tax Provisions

- | | | |
|------|----------------------------------------------------------------------------------------------|------|
| 259. | Tax-exempt interest in
calculation of taxable
social security benefits
(p. 364) | Open |
| 260. | Social security treatment
of certain church
employees (p. 364) | Open |
| 261. | Coverage of employees
under social security
and Federal retirement
systems (p. 368) | Open |

O. Miscellaneous Provisions

- | | | |
|------|------------------------------------|------|
| 266. | Employee tips (p. 374) | Open |
| 267. | FUTA treatment of tips
(p. 374) | Open |